



JOHN NAIMO  
AUDITOR-CONTROLLER

## COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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September 30, 2015

TO: Supervisor Michael D. Antonovich, Mayor  
Supervisor Hilda L. Solis  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe

FROM: John Naimo   
Auditor-Controller

SUBJECT: **LEGAL AID SOCIETY OF ORANGE COUNTY DBA COMMUNITY  
LEGAL SERVICES – A DEPARTMENT OF PUBLIC SOCIAL SERVICES  
DOMESTIC VIOLENCE SUPPORTIVE SERVICES PROGRAM  
PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of Legal Aid Society of Orange County dba Community Legal Services (LASOC-CLS or Agency), which covered a sample of transactions from Fiscal Year (FY) 2013-14. The Department of Public Social Services (DPSS) contracts with LASOC-CLS, a non-profit organization, to provide Domestic Violence Supportive Services (DVSS) Program services to eligible victims of domestic violence. DVSS Program services include performing assessments, facilitating shelter assistance, and providing legal assistance to the victims.

The purpose of our review was to determine whether LASOC-CLS appropriately accounted for and spent DVSS Program funds to provide the services outlined in their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with their County contract and other applicable guidelines.

DPSS paid LASOC-CLS approximately \$577,000 on a fee-for-service basis for FY 2013-14. The County's FY 2013-14 contract with LASOC-CLS required the Agency to return or reinvest any unspent revenue. Effective July 1, 2014, DPSS amended their DVSS contracts to require Agencies to return any unspent revenues to DPSS. LASOC-CLS provides services to residents of the Second and Fourth Supervisorial Districts.

### **Results of Review**

LASOC-CLS provided services to eligible participants, recorded and deposited DPSS cash receipts timely, and Agency staff had the required qualifications. However, the Agency did not always comply with all of their County contract requirements. Specifically, LASOC-CLS:

- Inappropriately allocated \$4,274 in shared non-payroll expenditures to the DVSS Program based on unallowable methods.

*LASOC-CLS' attached response indicates that they reallocated all shared expenditures charged to the Program during the contract term and overbilled DPSS \$2,147. However, the Agency did not agree to repay DPSS \$2,147 for the overbilled expenditures because the Agency indicated that their expenditures exceeded their payments from DPSS. LASOC-CLS will need to provide DPSS with supporting documentation and work with DPSS to determine if any repayment is necessary.*

- Inappropriately allocated \$2,220 in payroll costs for three employees who worked on County and non-County programs based on pre-determined rates, instead of actual conditions.

*LASOC-CLS' attached response indicates that they reallocated the payroll costs based on actual conditions, and determined that the pre-determined rates they billed to the DVSS Program were appropriate. However, LASOC-CLS will need to provide DPSS with supporting documentation and work with DPSS to determine if any repayment is necessary.*

- Did not maintain a complete and accurate listing of fixed assets and equipment purchased with DVSS Program funds.

*LASOC-CLS' attached response indicates that they developed and will maintain a complete and accurate listing of fixed assets and equipment purchased with DVSS Program funds.*

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with LASOC-CLS and DPSS in May 2015. LASOC-CLS' attached response (Attachment II) indicates agreement with our findings and recommendations. DPSS will work with LASOC-CLS to ensure that our recommendations are implemented.

We thank LASOC-CLS' management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:AA:pn

Attachments

c: Sachi A. Hamai, Interim Chief Executive Officer  
Sheryl L. Spiller, Director, DPSS  
R. Thomas Peterson, Board President, LASOC-CLS  
Robert J. Cohen, Executive Director, LASOC-CLS  
Public Information Office  
Audit Committee

**LEGAL AID SOCIETY OF ORANGE COUNTY  
DBA COMMUNITY LEGAL SERVICES  
DOMESTIC VIOLENCE SUPPORTIVE SERVICES PROGRAM  
CONTRACT COMPLIANCE REVIEW  
FISCAL YEAR 2013-14**

**ELIGIBILITY**

**Objective**

Determine whether the Legal Aid Society of Orange County dba Community Legal Services (LASOC-CLS or Agency) provided services to individuals who met the Domestic Violence Supportive Services (DVSS) Program eligibility requirements.

**Verification**

We reviewed the case files for ten (8%) of the 133 participants who received services during May 2014 for documentation to confirm their eligibility for DVSS Program services.

**Results**

LASOC-CLS had documentation to support all ten participants' eligibility for DVSS Program services.

**Recommendation**

**None.**

**PROGRAM SERVICES**

**Objective**

Determine whether LASOC-CLS provided the services required by their County contract and DVSS Program guidelines, and whether the Program participants received the billed services.

**Verification**

We visited LASOC-CLS' two service sites, and reviewed the case files for ten (8%) of the 133 participants who received services during May 2014.

**Results**

The Agency provided services in accordance with their County contract for the ten participants reviewed.

**Recommendation**

**None.**

**STAFFING QUALIFICATIONS**

**Objective**

Determine whether LASOC-CLS' staff had the qualifications required by their County contract.

**Verification**

We reviewed the personnel files for six (43%) of the 14 LASOC-CLS employees who worked on the DVSS Program.

**Results**

LASOC-CLS' six staff reviewed had the qualifications required by their County contract.

**Recommendation**

**None.**

**CASH/REVENUE**

**Objective**

Determine whether LASOC-CLS properly recorded revenue in their financial records, deposited cash receipts into their bank account timely, and if bank account reconciliations were reviewed and approved by Agency management.

**Verification**

We interviewed LASOC-CLS' management, and reviewed their financial records and June 2014 bank reconciliations.

**Results**

LASOC-CLS properly recorded revenue in their financial records, deposited Department of Public Social Services (DPSS) cash receipts into their bank account timely, and Agency management reviewed and approved monthly bank reconciliations.

**Recommendation**

**None.**

**EXPENDITURES/COST ALLOCATION PLAN****Objective**

Determine whether expenditures charged to the DVSS Program were allowable under their County contract, properly documented, and accurately billed. In addition, determine whether the Agency prepared their Cost Allocation Plan (Plan) in compliance with their County contract, and used the Plan to allocate shared expenditures appropriately.

**Verification**

We interviewed LASOC-CLS' personnel, and reviewed their Plan and financial records for 12 non-payroll expenditures, totaling \$16,987, that the Agency charged to the DVSS Program from December 2013 through June 2014.

**Results**

LASOC-CLS prepared their Plan in compliance with their County contract. However, the Agency inappropriately charged \$4,274 (25%) of the \$16,987 in non-payroll expenditures reviewed to the DVSS Program. Specifically, LASOC-CLS inappropriately:

- Charged \$3,320 (100%) to the DVSS Program for shared equipment expenditures, instead of allocating the expenditures to all benefiting programs as required.
- Allocated \$954 to the DVSS Program for shared subscription fees based on pre-determined rates, instead of using allowable methods based on actual conditions as required.

**Recommendations**

**Legal Aid Society of Orange County dba Community Legal Services management:**

- 1. Reallocate all expenditures charged to the Domestic Violence Supportive Services Program during the contract term, provide the Department of Public Social Services with supporting documentation, and repay any overbilled or unsupported amounts.**
- 2. Ensure that all expenditures charged to the Domestic Violence Supportive Services Program are allowable, properly documented, and accurately billed.**

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether LASOC-CLS' fixed assets and equipment purchased with DVSS Program funds were used for the Program and were adequately safeguarded.

**Verification**

We interviewed Agency personnel, and reviewed the Agency's fixed assets and equipment inventory lists. We also performed a physical inventory of 12 items purchased with DVSS Program funds to verify the items exist and were being used as required.

**Results**

LASOC-CLS did not maintain a complete and accurate listing of fixed assets and equipment purchased with DVSS Program funds. Specifically, three (25%) of the 12 items reviewed did not have the correct location, one (8%) item did not have an asset identification number on record, and one (8%) item had an inaccurate asset identification number. In addition, we noted a printer that was purchased 100% with DVSS Program funds in January 2014 that was not included in the inventory lists.

**Recommendation**

- 3. Legal Aid Society of Orange County dba Community Legal Services management develop and maintain a complete and accurate listing of fixed assets and equipment purchased with Domestic Violence Supportive Services Program funds.**

**PAYROLL AND PERSONNEL****Objective**

Determine whether LASOC-CLS charged payroll costs to the DVSS Program appropriately, and maintained personnel files as required.

**Verification**

We traced the payroll costs for six employees, totaling \$10,301 for June 2014, to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for six LASOC-CLS DVSS Program staff.

**Results**

LASOC-CLS maintained personnel files as required. However, LASOC-CLS inappropriately charged \$2,220 (22%) of the \$10,301 in payroll costs reviewed to the DVSS Program. Specifically, LASOC-CLS inappropriately allocated the payroll costs for three employees who worked on County and non-County Programs based on pre-determined rates, instead of actual conditions.

**Recommendation**

**Refer to Recommendations 1 and 2.**

**CLOSE-OUT REVIEW****Objective**

Determine whether LASOC-CLS had any unspent revenue for the DVSS Program for Fiscal Year (FY) 2013-14.

**Verification**

We traced the total revenues and expenditures from LASOC-CLS' FY 2013-14 close-out report to the Agency's accounting records, and to DPSS' payment records.

**Results**

LASOC-CLS' accounting records and DPSS' payment records indicated that they had \$57,944 in unspent revenue for FY 2013-14. However, LASOC-CLS needs to revise their accounting records based on our recommendations above, provide DPSS with a revised close-out report for FY 2013-14, and work with DPSS to return or reinvest any unspent revenue.

**Recommendation**

- 4. Legal Aid Society of Orange County dba Community Legal Services management revise their accounting records based on our recommendations above, provide the Department of Public Social Services with a revised close-out report for Fiscal Year 2013-14, and work with the Department of Public Social Services to return or reinvest any unspent revenue.**





## LEGAL AID SOCIETY OF ORANGE COUNTY

2101 North Tustin Avenue, Santa Ana, California 92705  
(714) 571-5200 · FAX (714) 571-5270

June 4, 2015

Mr. John Naimo  
Auditor-Controller  
County of Los Angeles  
Department of Auditor-Controller  
Countywide Contract Monitoring Division  
350 South Figueroa Street, 8<sup>th</sup> Floor  
Los Angeles, CA 90071

**Re: Legal Aid Society of Orange County dba Community  
Legal Services, DVSS Contract Compliance Review**

Dear Mr. Naimo


The Legal Aid Society of Orange County dba Community Legal Services has reviewed the Auditor Controllers findings and implemented the appropriate corrective actions.

  
\_\_\_\_\_  
Robert J. Cohen Executive Director

  
\_\_\_\_\_  
Date

Should you require additional information please feel free to contact Sandra Jones at (714) 571-5205.

Sincerely,

  
Sandra D. Jones  
Controller

**EXPENDITURES/COST ALLOCATION PLAN**

**Results**

LASOC-CLS prepared their Plan in compliance with their County contract. However, the Agency inappropriately charged \$4,274 (25%) of the \$16,987 in non-payroll expenditures reviewed to the DVSS Program. Specifically, LASOC-CLS inappropriately:

- Charged \$3,320 (100%) to the DVSS Program for shared equipment expenditures, instead of allocating the expenditures to all benefitting programs as required.
- Allocated \$954 to the DVSS Program for shared subscription fees based on pre-determined rates, instead of using allowable methods based on actual conditions as required.

**Recommendations**

**Legal Aid Society of Orange County, Inc. dba Community Legal Services management:**

- 1. Reallocate all expenditures charged to the Domestic Violence Supportive Services Program during the contract term, provide the Department of Public Social Services with supporting documentation, and repay any overbilled or unsupported amounts.**
- 2. Ensure that all expenditures charged to the Domestic Violence Supportive Services Program are allowable, properly documented, and accurately billed.**

**LASOC's Comments and Corrective Action Plan:**

1. LASOC reviewed the detail of all capital purchases during the grant period and concurs that a portion of the purchases should have been allocated as shared costs. LASOC will appropriately revise procedures for allocating cost of shared equipment. LASOC recalculated the allocation; as a result, DVSS was overcharged \$2,147. The adjustment has been made to our final close out report. However, because the total actual expenditures after adjustments exceeds the grant budget, there is no unspent revenue and no amount due DVSS.
2. LASOC will ensure that all expenditures charged to the DVSS program are allowable, properly documented, and accurately billed.

## **FIXED ASSETS AND EQUIPMENT**

### **Results**

LASOC-CLS did not maintain a complete and accurate listing of fixed assets and equipment purchased with DVSS Program funds. Specifically, three (25%) of the 12 items reviewed did have the correct location, one (8%) item did not have an asset identification number on record, and one (8%) item had an inaccurate asset identification number. In addition, we noted a printer that was purchased 100% with DVSS funds in January 2014 that was not included in the inventory lists.

### **Recommendation**

**Legal Aid Society of Orange County, Inc. dba Community Legal Services management develop and maintain a complete and accurate listing of fixed assets and equipment purchased with Domestic Violence Supportive Services Program funds.**

### **LASOC's Comments and Corrective Action Plan:**

3. LASOC concurs that there was an error on the inventory and the inventory has been reviewed and updated to include all related items. LASOC will maintain an inventory listing and insure they comply with County contract requirements.

## **PAYROLL AND PERSONNEL**

### **Results**

LASOC-CLS maintained personnel files as required. However, LASOC-CLS inappropriately charged \$2,220 (22%) of the \$10,301 in payroll costs reviewed to the DVSS Program. Specifically, LASOC-CLS inappropriately allocated the payroll costs for three employees who worked on County and non-County Programs based on pre-determined rates, instead of actual conditions.

### **Recommendation**

**Refer to Recommendations 1 and 2.**

### **LASOC's Comments and Corrective Action Plan:**

4. The payroll allocations questioned are for General Administrative staff. LASOC revised its General Administrative rate calculation to exclude the salaries of the general administrative staff in the rate calculation. LASOC recalculated the allocation percentage for the entire grant period. LASOC believes the indirect allocation rate applied to General Administrative staff was appropriate and no further adjustment required.

## **CLOSE-OUT REVIEW**

### **Results**

LASOC-CLS' accounting records and DPSS' payment records indicated that they had \$57,944 in unspent revenue for FY 2013-14. However, LASOC-CLS needs to revise their accounting records based on our recommendations above, provide DPSS with a revised close-out report for FY 2013-14, and work with DPSS to return or reinvest any unspent revenue.

### **Recommendation**

3. **Legal Aid Society of Orange County, Inc. dba Community Legal Services management revise their accounting records based on our recommendations above, provide the Department of Public Social Services with a revised close-out report for Fiscal Year 2013-14, and work with the Department of Public Social Services to return or reinvest any unspent revenue.**

### **LASOC's Comments and Corrective Action Plan:**

5. LASOC has revised the accounting records based on the recommendations and is providing DVSS with a revised close-out report for FY 2013-14. Because the total actual expenditures after adjustments exceeds the grant budget, there is no unspent revenue and no amount due DVSS.